CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011

(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Excelsior Mining Corp.

We have audited the accompanying consolidated financial statements of Excelsior Mining Corp., which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, and January 1, 2010 and the consolidated statements of operations and comprehensive loss, cash flows and changes in equity for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Excelsior Mining Corp. as at December 31, 2011 and 2010, and January 1, 2010 and their financial performance and their cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Excelsior Mining Corp.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

April 23, 2012

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Fax (604) 687-6172

EXCELSIOR MINING CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	December 31 2011	December 31 2010 (Note 14)	January 1 2010 (Note 14)
ASSETS			
Current			
Cash and cash equivalents	$ 5,382,104	$ 3,570,434	$ 1,092,028
Prepaids	104,829	81,968	-
Receivables	220,021	77,656	-
	5,706,954	3,730,058	1,092,028
Equipment (Note 4)	73,824	5,482	-
Exploration and evaluation assets (Note 5)	193,037	188,785	41,840
	$ 5,973,815	$ 3,924,325	$ 1,133,868
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	$ 278,982	$ 113,387	$ 53,328
Due to related parties (Note 8)	170,489	163,324	73,052
Current portion of notes payable (Note 6)	-	246,072	2,500
Warrant liability (Note 7)	446,723	871,140	-
	896,194	1,393,923	128,880
Long-term notes payable (Note 6)	-	-	800,845
Shareholders' equity			
Capital stock (Note 7)	12,731,363	6,207,749	1,952,013
Commitment to issue shares	-	-	2,676
Other equity reserve (Note 7)	3,327,032	1,118,989	474,231
Deficit	(11,007,352)	(4,824,721)	(2,291,858)
Accumulated other comprehensive income	26,578	28,385	67,081
	5,077,621	2,530,402	204,143
	$ 5,973,815	$ 3,924,325	$ 1,133,868

Nature of operations and going concern (Note 1)
Subsequent events (Note 15)

Approved on April 23, 2012 on behalf of the Board:

"Colin Kinley"	*"Jay Sujir"*
Colin Kinley, Director	Jay Sujir, Director

The accompanying notes are an integral part of these consolidated financial statements

EXCELSIOR MINING CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in Canadian Dollars)

		2011		2010 (Note 14)
EXPENSES				
Consulting fees	$	**91,574**	$	59,093
Depreciation		**17,742**		1,550
Exploration and evaluation		**3,496,393**		304,323
Insurance		**14,078**		2,977
Investor relations		**478,478**		9,047
Management fees		**346,673**		236,886
Office and administration		**210,139**		39,847
Professional fees		**188,534**		541,072
Regulatory fees		**78,297**		25,517
Rent		**61,670**		6,826
Share-based compensation (Note 7)		**898,746**		209,482
Travel and entertainment		**194,636**		31,697
Wages and salaries		**574,373**		88,209
Loss before other items		**(6,651,333)**		(1,556,526)
Other items				
Debt forgiveness		**-**		25,119
Foreign exchange (loss) gain		**1,528**		(5,248)
Write-off of exploration and evaluation assets (Note 5)		**-**		(65,560)
Interest income (expense)		**42,757**		(59,508)
Unrealized gain (loss) on warrants		**424,417**		(871,140)
		468,702		(976,337)
Net loss for the year		**(6,182,631)**		(2,532,863)
Cumulative translation adjustment		**(1,807)**		(38,696)
Comprehensive loss for the year	$	**(6,184,438)**	$	(2,571,559)
Basic and diluted loss per common share		**($0.12)**		($0.17)
Weighted average number of common shares outstanding		**53,491,468**		14,790,658

The accompanying notes are an integral part of these consolidated financial statements

EXCELSIOR MINING CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Years ended December 31, 2011	2010 (Note 14)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	**$ (6,182,631)**	$ (2,532,863)
Items not affecting cash:		
Depreciation	**17,742**	1,550
Write-off of of exploration and evaluation assets	**-**	65,560
Share-based compensation	**898,746**	209,482
Debt forgiveness	**-**	(25,119)
Unrealized foreign exchange loss	**9,924**	5,376
Unrealized gain (loss) on warrants	**(424,417)**	871,140
Changes in non-cash working capital items		
Prepaids	**(21,615)**	(61,904)
Receivables	**(142,364)**	(27,581)
Accounts payable and accrued liabilities	**77,818**	16,171
Due to related parties	**89,138**	12,361
Net cash used in operating activities	**(5,677,659)**	(1,465,827)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	**(84,135)**	(4,418)
Exploration and evaluation asset	**-**	(154,490)
Cash acquired from acquisition	**-**	1,088,104
Net cash provided by (used in) investing activities	**(84,135)**	929,196
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares and warrants net of costs	**7,832,911**	3,442,463
Notes payable	**(251,434)**	(366,664)
Net cash provided by financing activities	**7,581,477**	3,075,799
Net change in cash and cash equivalents during the year	**1,819,683**	2,539,168
Effect of foreign exchange on cash and cash equivalents	**(8,013)**	(60,762)
Cash and cash equivalents, beginning of the year	**3,570,434**	1,092,028
Cash and cash equivalents, end of the year	**$ 5,382,104**	$ 3,570,434
Cash and cash equivalents		
Cash	**882,104**	3,570,434
Liquid short term investments	**4,500,000**	-

Supplemental disclosure with respect to cash flows (Note 10)

The accompanying notes are an integral part of these consolidated financial statements

EXCELSIOR MINING CORP.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Expressed in Canadian Dollars)

							Accumulated	
	Share Capital				**Other Equity**		**Other**	
	Number of shares		**Commitment**	**to issue**	**Reserve**		**Comprehensive**	
	Voting shares	**Non-voting**	**Amount**	**shares**	**(Note 7)**	**Deficit**	**Income (loss)**	**Total**
Balance, December 31, 2009 and January 1, 2010	**4,231,000**	**-**	**$ 1,952,013**	**$ 2,676**	**$ 474,231**	**$ (2,291,858)**	**$ 67,081**	**$ 204,143**
Private placement	364,333	-	681,179	-	-	-	-	681,179
Commitment to issue shares	1,667	-	2,676	(2,676)	-	-	-	-
Share issue costs - agent warrants	-	-	(30,547)	-	30,547	-	-	-
Private placement	199,999	-	371,447	-	-	-	-	371,447
Share issue costs - cash	-	-	(73,684)	-	-	-	-	(73,684)
Shares issued for debt	97,510	-	146,974	-	-	-	-	146,974
Capital stock of Excelsior	5,872,167	-	-	-	-	-	-	-
Capital stock of AzTech	(4,894,509)	-	-	-	-	-	-	-
Acqusition of AzTech (Note 3)	22,359,173	7,007,876	1,098,898	-	-	-	-	1,098,898
Finder's fee (Note 3)	650,000	-	341,250	-	-	-	-	341,250
Share issue costs - shares	-	-	(341,250)	-	-	-	-	(341,250)
Private placement	6,030,000	-	2,655,840	-	370,014	-	-	3,025,854
Share issuance costs - agent warrants	-	-	(34,715)	-	34,715	-	-	-
Share issue costs - cash	-	-	(562,332)	-	-	-	-	(562,332)
Share-based compensation	-	-	-	-	209,482	-	-	209,482
Loss for the year	-	-	-	-	-	(2,532,863)	-	(2,532,863)
Other comprehensive loss	-	-	-	-	-	-	(38,696)	(38,696)
Balance, December 31, 2010	**34,911,340**	**7,007,876**	**$ 6,207,749**	**$ -**	**$ 1,118,989**	**(4,824,721)**	**$ 28,385**	**$ 2,530,402**
Private placement	13,333,333	-	6,715,917	-	1,284,083	-	-	8,000,000
Share issue costs - cash	-	-	(437,963)	-	-	-	-	(437,963)
Share issuance costs - agent warrants	-	-	(147,898)	-	147,898	-	-	-
Warrant exercises	746,572	-	271,067	-	(35,393)	-	-	235,674
Stock option exercises	117,332	-	122,491	-	(87,291)	-	-	35,200
Share-based compensation	-	-	-	-	898,746	-	-	898,746
Loss for the year	-	-	-	-	-	(6,182,631)	-	(6,182,631)
Other comprehensive loss	-	-	-	-	-	-	(1,807)	(1,807)
Balance, December 31, 2011	**49,108,577**	**7,007,876**	**$ 12,731,363**	**$ -**	**$ 3,327,032**	**$ (11,007,352)**	**$ 26,578**	**$ 5,077,621**

The accompanying notes are an integral part of these consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Excelsior Mining Corp. (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on June 9, 2005 and is classified as a Tier 2 issuer on the TSX Venture Exchange ("TSX-V"). The address of the Company's registered office is #1240 - 1140 West Pender Street, Vancouver, BC, Canada V6E 4G1.

On October 14, 2010, the Company completed a reverse takeover by acquiring all of the issued and outstanding common shares of Aztech Minerals, Inc. ("AzTech") in exchange for 22,359,173 voting common shares and 7,007,876 non-voting and non-publicly traded common shares of the Company (Note 3). The Company is listed on the TSX-V under the symbol "MIN".

During the 2010 fiscal year, the Company consolidated its common shares on a basis of one new common share for every 3 old common shares held. All references to shares and per share amounts, unless otherwise stated, have been retroactively restated to reflect the consolidation.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at December 31, 2011, the Company had working capital of $4,810,760 (December 31, 2010 - $2,336,135, January 1, 2010 - $963,148) and a deficit of $11,007,352 (December 31, 2010 - $4,824,721, January 1, 2010 - $2,291,858). Management believes that the Company has sufficient funds to support its ongoing operating expenditures, and fund cash payments for planned exploration programs for the next 12 months.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

The Company is in the process of exploring and evaluating its exploration and evaluation assets and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete the development of those mineral reserves and upon future production or proceeds from the disposition thereof.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements represent the first annual financial statements of the Company and its subsidiary prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The accompanying consolidated financial statements were also prepared in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"). The first date at which IFRS was applied was January 1, 2010.

The Company's consolidated financial statements were prepared in accordance with accounting principles generally accepted in Canada (Canadian GAAP) until December 31, 2010. Canadian GAAP differs from IFRS in some areas and accordingly, the significant accounting policies applied in the preparation of these consolidated financial statements are set out below and have been consistently applied to all periods presented except in instances where IFRS 1 either requires or permits an exemption. An explanation of how the transition from Canadian GAAP to IFRS has affected the reported consolidated statements of income, comprehensive income, financial position, and cash flows of the Company is provided in Note 14. This note includes information on the provisions of IFRS 1 and the exemptions that the Company elected to apply, reconciliations of equity, net income and comprehensive income for comparative periods and equity at the date of transition, January 1, 2010.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (Cont'd…)

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Principles of Consolidation

These consolidated financial statements include the financial statements of the Company and the entity controlled by the Company (see below). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

Details of the Company's subsidiary are as follows:

Name	Place of incorporation	Interest %	Principal activity
Excelsior Mining Arizona, Inc. ("Excelsior Arizona")	United States	100%	Exploration and evaluation of mineral property interests

Critical Accounting Estimates and Judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, shareholders' equity, and the disclosure of contingent assets and liabilities, as at the date of the financial statements, and expenses for the years reported.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting year, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position.

ii) The Black-Scholes stock price valuation model used to value warrants and stock options and the liability associated with foreign derivatives requires the input of highly subjective assumptions regarding stock price volatility, the expected lives of warrants and stock options and expected forfeitures.

iii) The recognition of deferred tax assets and liabilities.

iv) The recoverability of receivables and prepayments that are included in the statements of financial position.

v) The estimated useful lives of equipment which are included in the statements of financial position and the related depreciation included in the statements of operations and comprehensive loss.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (Cont'd…)

Cash and cash equivalents

The Company considers all highly liquid short-term investments with a maturity of three months or less to be cash and cash equivalents. At December 31, 2011, the Company has $4,500,000 (2010 - $Nil, January 1, 2010 - $Nil) in short-term liquid investments.

Financial Instruments

All financial instruments are initially recognized at fair value on the statement of financial position. The Company has classified each financial instrument into one of the following categories: (1) financial assets or liabilities at fair value through profit or loss ("FVTPL"), (2) loans and receivables, (3) financial assets available-for-sale, (4) financial assets held-to-maturity, and (5) other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in the statement of operations. Financial assets "available-for-sale" are subsequently measured at fair value with changes in fair value recognized in other comprehensive income (loss), net of tax.

Financial assets "held-to-maturity", "loans and receivables", and "other financial liabilities" are subsequently measured at amortized cost using the effective interest method.

The Company's financial assets and liabilities are recorded and measured as follows:

Asset or Liability	Category	Measurement
Cash and cash equivalents	FVTPL	Fair value
Receivables	Loans and receivables	Amortized cost
Accounts payables and accrued liabilities.	Other liabilities	Amortized cost
Due to related parties	Other liabilities	Amortized cost
Notes payable	Other liabilities	Amortized cost
Warrant liability	FVTPL	Fair value

The Company classifies the fair value of financial instruments according to the following hierarchy based on the reliability of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The carrying value of receivables, accounts payable and accrued liabilities, due to related parties, and loans payable approximate their fair values due to their short terms to maturity.

Cash and cash equivalents have been measured at fair value using Level 1 inputs.

Warrant liability has been measured at fair value using Level 2 inputs. See Note 7 for inputs and assumptions used to measure fair value.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (Cont'd…)

Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. The equipment below is depreciated over its useful lives using the following annual rates and methods:

Computer and office equipment	30%	Declining balance
Computer software	45%	Declining balance
Exploration equipment	20%	Declining balance

Equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the statement of operations and comprehensive income or loss. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

Exploration and Evaluation Assets

Before legal rights to explore a property have been acquired, costs are expensed as incurred. Costs related to the acquisition of exploration and evaluation assets are capitalized by property until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value. Costs related to the exploration and evaluation of mineral properties are recognized in profit or loss as incurred.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the mineral interest. If payments received exceed the capitalized cost of the mineral interest, the excess is recognized as income in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and evaluation, and future profitable production or proceeds from the disposition thereof.

Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (Cont'd…)

Future Reclamation Costs

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement or reclamation of mineral interest (exploration and evaluation assets). The net present value of future rehabilitation cost estimates is capitalized to the related assets along with a corresponding increase in the reclamation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the reclamation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the year.

The Company does not have any significant future reclamation costs.

Foreign Currency Translation

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency of the Company is the Canadian dollar and the functional currency of Excelsior Arizona is the United States dollar.

Accordingly, the accounts of Excelsior Arizona are translated into Canadian dollars as follows:

- all of the assets and liabilities are translated at the rate of exchange in effect on the date of the statement of financial position;
- revenue and expenses are translated at the exchange rate approximating those in effect on the date of the transactions; and
- exchange gains and losses arising from translation are included in accumulated other comprehensive income.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the date of the statement of financial position while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of operations and comprehensive loss.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (Cont'd…)

Loss per Share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year.

For diluted per share computations, assumptions are made regarding potential common shares outstanding during the period. The weighted average number of common shares is increased to include the number of additional common shares that would be outstanding if, at the beginning of the year, or at time of issuance, if later, all options and warrants are exercised. Proceeds from exercise are used to purchase the Company's common shares at their average market price during the year, thereby reducing the weighted average number of common shares outstanding. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share.

Share-Based Payment Transactions

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The Company recognizes share-based compensation expense based on the estimated fair value of the options. A fair value measurement is made for each vesting installment within each option grant and is determined using the Black-Scholes option-pricing model. The fair value of the options is recognized over the vesting year of the options granted as both share-based compensation expense and other equity reserve. This includes a forfeiture estimate, which is revised for actual forfeitures in subsequent years. The other equity reserve account is subsequently reduced if the options are exercised and the amount initially recorded is then credited to capital stock.

The Company recognizes the fair value of all warrants issued, recording the amount as an expense in the period, and addition to a related asset, or a cost of issue of shares, as appropriate. Where warrants have been issued in a currency that is different from the functional currency of the issuer, the warrants are included in the definition of a derivative and included under liabilities, unless the warrants are equity instruments and included in equity reserve. Warrants are measured at the time of issue using the Black-Scholes option-pricing model to determine their fair value. At each subsequent reporting period, warrants that are derivatives are re-measured in accordance with the accounting policy for financial instruments. Warrants that are equity instruments are not re-measured subsequent to grant unless the terms and conditions of the warrants are substantially amended.

Income Taxes

Income tax on profit or loss for the year comprises current and deferred tax. Current tax is the expected tax paid or payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax paid or payable in respect of previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the year that includes the date of enactment or substantive enactment of change. Deferred tax assets and liabilities are presented separately except where there is a right of set-off within fiscal jurisdictions.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (Cont'd…)

Impairment of Long-lived Assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Comprehensive income (loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. The Company's translation of its subsidiaries to Canadian dollars is the only item currently affecting comprehensive income (loss) for the periods presented.

New Accounting Pronouncements

In November 2009 and October 2010, the IASB issued IFRS 9, *Financial Instruments* ("IFRS 9"), which represents the completion of the first part of a three-part project to replace IAS 39, *Financial Instruments: Recognition and Measurement*, with a new standard. Per the new standard, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income or loss section of the entity's statement of comprehensive loss, rather than within profit or loss. Additionally, IFRS 9 includes revised guidance related to the derecognition of financial instruments. IFRS 9 applies to financial statements for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company currently is evaluating any impact that this new guidance may have on the Company's consolidated financial statements.

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements* ("IFRS 10"), which builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of a parent company. IFRS 10 also provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 applies to financial statements for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company currently is evaluating any impact that this new guidance may have on the Company's consolidated financial statements.

In May 2011, the IASB issued IFRS 11, *Joint Arrangements* ("IFRS 11"), which enhances accounting for joint arrangements, particularly by focusing on the rights and obligations of the arrangement, rather than the arrangement's legal form. IFRS 11 also addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities and prohibits proportionate consolidation. IFRS 11 applies to financial statements for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company currently is evaluating any impact that this new guidance may have on the Company's consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd…)

New Accounting Pronouncements (Cont'd…)

In May 2011, the IASB issued IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12"), which is a comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. IFRS 12 applies to financial statements for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company currently is evaluating any impact that this new guidance may have on the Company's consolidated financial statements.

In May 2011, the IASB issued IFRS 13, *Fair Value Measurement* ("IFRS 13"), which defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions). IFRS 13 applies to financial statements for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company currently is evaluating any impact that this new guidance may have on the Company's consolidated financial statements.

In June 2011, the IASB amended IAS 1, *Presentation of Financial Statements* ("IAS 1"), to change the disclosure of items presented in other comprehensive income into two groups, based on whether those items may be recycled to profit or loss in the future. The amendments to IAS 1 apply to financial statements for annual periods beginning after July 1, 2012, with early adoption permitted. The Company currently is evaluating any impact that this new guidance may have on the Company's consolidated financial statements.

3. ACQUISITION

Effective October 14, 2010, the Company acquired all of the issued and outstanding capital stock of AzTech Minerals, Inc ("AzTech"). As consideration, the Company issued two common shares for each share issued and outstanding as at the date of acquisition. The Company also issued two options for each AzTech stock option, and two share purchase warrants for each AzTech share purchase warrant outstanding immediately prior to the date of acquisition. As a result, the Company issued 22,359,173 common shares and 7,007,876 non-voting and non-publicly traded common shares of the Company. In addition, the Company issued 2,800,000 stock options and 760,018 share purchase warrants. As part of the transaction, AzTech and Excelsior Arizona were merged by way of a plan of merger in accordance with the Arizona Revised Statutes and Excelsior Arizona was the surviving corporation.

Legally, the Company is the parent of AzTech (now Excelsior Arizona). However, as a result of the share exchange described above control of the combined companies passed to the former shareholders of AzTech. This type of share exchange, referred to as a "reverse takeover", deems AzTech to be the acquirer for accounting purposes. Accordingly, the net assets of AzTech are included in the statement of financial position at book values and the acquisition of the Company is accounted for whereby the net assets of the Company recorded at fair market value at the date of acquisition. The expenses and assets and liabilities subsequent to the date of acquisition include accounts of the Company. The net assets of the Company totaled $1,098,898 at the date of acquisition and have been allocated below.

The cost of an acquisition should be based on the fair value of the consideration given, except where the fair value of the consideration given is not clearly evident. In such a case, the fair value of the net assets acquired is used.

3. ACQUISITION (Cont'd…)

The total purchase price of $1,098,898 was allocated as follows:

Cash	$ 1,088,104
Prepaid expenses	21,914
Accounts receivable	50,075
Equipment	2,720
Mineral properties	65,560
Accounts payable	(129,475)
	$ 1,098,898

Expenses relating to the reverse takeover totaled $341,250, consisting of the fair value of 650,000 common shares issued as finders' fees and $133,181 in acquisition costs. These costs have been recorded against capital stock.

4. EQUIPMENT

	COMPUTER AND OFFICE EQUIPMENT	COMPUTER SOFTWARE	EXPLORATION EQUIPMENT	TOTAL
Cost at December 31, 2010	$ 5,689	$ 2,175	$ -	$ 7,864
Current period additions	5,203	27,863	53,480	86,546
Cost at December 31, 2011	$ 10,892	$ 30,038	$ 53,480	$ 94,410
Accumulated depreciation at December 31, 2010	$ 1,659	$ 723	$ -	$ 2,382
Current period depreciation	2,297	6,449	8,996	17,742
Accumulated depreciation at December 31, 2011	$ 3,956	$ 7,172	$ 8,996	$ 20,124
Effects of foreign currency translation for the year ended December 31, 2011	$ (42)	$ (168)	$ (252)	$ (462)
Net book value at December 31, 2010	$ 4,030	$ 1,452	$ -	$ 5,482
Net book value at December 31, 2011	$ 6,894	$ 22,698	$ 44,232	$ 73,824

	COMPUTER AND OFFICE EQUIPMENT	COMPUTER SOFTWARE	EXPLORATION EQUIPMENT	TOTAL
Cost at January 1, 2010	$ -	$ -	$ -	$ -
Current period additions	5,689	2,175	-	7,864
Cost at December 31, 2010	$ 5,689	$ 2,175	$ -	$ 7,864
Accumulated depreciation at January 1, 2010	$ -	$ -	$ -	$ -
Current period depreciation	1,659	723	-	2,382
Accumulated depreciation at December 31, 2010	$ 1,659	$ -	$ -	$ 2,382
Net book value at January 1, 2010	$ -	$ -	$ -	$ -
Net book value at December 31, 2010	$ 4,030	$ 1,452	$ -	$ 5,482

5. EXPLORATION AND EVALUATION ASSETS

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of its interests are in good standing. The mineral property interests in which the Company has committed to earn an interest are located in the United States of America.

Wildhorse Property

On March 5, 2010, the Company entered into an option agreement with Eagle Plains Resources Ltd. ("Eagle Plains"), a corporation incorporated under the laws of Alberta and listed on the TSX-V, whereby Eagle Plains granted the Company an option to acquire up to a 70% interest in the Wildhorse Property, located north of Cranbrook, British Columbia in the Fort Steele Mining Division. The transaction between Excelsior and Eagle Plains was an arm's length transaction and was the "Qualifying Transaction" for Excelsior under the applicable policies of the TSX-V. This transaction was approved by the TSX -V in May 2010.

On March 21, 2011, the Company terminated the option agreement with Eagle Plains, and wrote off $65,560 in exploration and evaluation assets to operations as at December 31, 2010.

Gunnison Project

The Company, through AzTech (now Excelsior Arizona) entered into an amended option agreement to purchase the Gunnison Project, located in Cochise County, Arizona. Under the amended option agreement, AzTech has the exclusive right until January 1, 2013 to acquire 100% of the Gunnison Project for US$350,000 and up to a further US$300,000 payable to certain landholders, of which US$150,000 is payable upon the exercise of the option agreement. The remaining US$150,000 is payable on or before December 31, 2016. Acquisition costs to date, related to payments made under the previous agreements.

Exploration and evaluation assets	Wildhorse Property	Gunnison Project
Balance, at December 31, 2009 and January 1, 2010	$ -	$ 41,840
Acquisition costs	65,560	146,945
Write-off	(65,560)	-
Balance, at December 31, 2010	$ -	$ 188,785
Effects of foreign currency translation	-	4,252
Balance, at December 31, 2011	$ -	$ 193,037

6. NOTES PAYABLE

Notes payable consists of:

	December 31, 2011	December 31, 2010	January 1, 2010
Unrelated parties			
Unsecured notes payable to unrelated parties, bearing interest at 6% accrued monthly into the note, principal plus accrued interest was due on December 31, 2011(December 31, 2011 - $US Nil, December 31, 2010 - $US196,418, January 1, 2010 – US$180,420)	$ -	$197,484	$189,621
Unsecured notes payable to unrelated parties convertible to equity if not paid in full by maturity, bearing interest at prime rate plus 2% accrued monthly into the note, principal plus accrued interest was due on December 31, 2011 (December 31, 2011 - $US Nil, December 31, 2010 - $US Nil, January 1, 2010 - $US104,372)	-	-	109,695
Related parties			
Unsecured notes payable to a director and a company controlled by a director of the Company, convertible to equity if not paid in full by December 31, 2010 interest rates between 6% and 10% accrued monthly into the note, principal plus accrued interest was due on December 31, 2011 (December 31, 2011 - $US Nil, December 31, 2010 - $US Nil, January 1, 2010 - $US436,017)	-	-	458,254
Unsecured notes payable to a director and a company controlled by a director of the Company, interest rates between 6% and 10% accrued monthly into the note, principal plus accrued interest due on December 31, 2011 (December 31, 2011 – US $Nil, December 31, 2010 - $US48,326, January 1, 2010 – US$43,554)	-	48,588	45,775
Total	-	246,072	803,345
Less current portion	-	(246,072)	(2,500)
Long-term portion	$ -	$ -	$800,845

Certain of the notes payable include contingent pay-off provisions prior to the maturity dates listed. These contingent payments include the Company's right to prepay any debt prior to maturity without penalty and other early payment provisions dependent on the Company obtaining financing.

During the year ended December 31 2011, $55,346 of related party notes payable and $207,471 of unrelated party notes payable were paid off in full. Interest expense incurred on notes payable for the year ended December 31, 2011 and 2010 was $11,568 and $41,332, respectively.

7. CAPITAL STOCK AND OTHER EQUITY RESERVE

Share issuances:

During the year ended December 31, 2011, shares were issued as follows:

- On February 24, 2011 the Company closed a non-brokered private placement offering of units of the Company for aggregate gross proceeds of $8,000,000, through the issuance of 13,333,333 units at a price of $0.60 per unit. Each unit consists of one common share and one half of one common share purchase warrant. Each warrant shall be exercisable to acquire one common share at an exercise price equal to $1.00 until February 28, 2013. $6,715,917 was allocated to the shares, and $1,284,083 was allocated to the warrants. The Company paid a finder's fee on certain subscriptions equal to 7% of the gross proceeds received from such subscriptions, and also issued 644,606 non-transferrable finder's warrants with a fair value of $147,898. Each finder's warrant may be exercised for one common share at an exercise price of $1.00 until February 28, 2013.
- 746,572 common shares were issued in connection with an exercise of 5,250 compensation warrants at a price of US$0.50, 523,000 compensation warrants at a price of US$0.25, 208,322 compensation warrants at a price of $0.45 and 10,000 warrants at a price of US$0.65. An amount of $35,393 representing the fair value of these warrants on granting was reclassified from other equity reserve to capital stock on exercise. Upon the exercise of 5,250 compensation warrants 2,625 warrants with an exercise price of US$0.65 per warrant and an expiry date of April 14, 2012 were issued.
- 117,332 common shares were issued in connection with an exercise of 117,332 stock options with an exercise price of $0.30 per option. An amount of $87,291 representing the fair value of these options on granting was reclassified from other equity reserve to capital stock on exercise.

During the year ended December 31, 2010, shares were issued as follows:

- On October 14, 2010 the Company acquired 100% of the issued and outstanding shares of AzTech pursuant to which, each common share of AzTech was exchanged for two common shares of the Company and all issued and outstanding common shares of the Company were consolidated on the basis of one post consolidation common share for every three common shares outstanding. 650,000 common shares were issued as finders' fees with a fair value of $341,250 in connection with the reverse takeover (Note 3). All references to share amounts have been restated to reflect these transactions.
- On April 20, 2010, 1,667 common shares were issued for commitment to issue shares in 2009.
- On June 1, 2010, the Company issued 364,333 common shares for gross proceeds of $681,179. In connection with the offering the Company paid a finder's fee of $47,683. In addition the Company granted agent warrants entitling the agent to purchase 153,020 common shares of the Company at US$0.30 per common share with a fair value of $19,760.
- On June 14, 2010 the Company issued 199,999 common shares for gross proceeds of $371,447 and paid $26,001 as a finder's fee. In addition the Company granted agent warrants entitling the agent to purchase 83,998 common shares of the Company at US$0.30 per common share with a fair value of $10,787.
- On August 15, 2010, $146,974 in related party notes payable (US$141,145) was settled through the issuance of 97,510 common shares of the Company.
- On October 14, 2010, the Company completed a private placement resulting in issuance of 6,030,000 units of the Company for gross proceeds of $3,025,854. Each unit was comprised of one common share of the Company and one-half of one common share purchase warrant of the Company with an exercise price of US$0.65 and an expiry date of April 14, 2012. The Company paid an agent a cash commission of US$211,050 and granted compensation options entitling the agent to subscribe for 422,100 units at US$1.00 per unit with a fair value of $34,715, expiring on October 14, 2012. Each unit will be comprising one common share of the Company and one half common share purchase warrant exercisable at US$0.65 with an expiry date April 14, 2012.

7. CAPITAL STOCK AND OTHER EQUITY RESERVE (Cont'd…)

Escrow shares

Pursuant to TSX Venture Exchange policies, 10,223,747 common shares and 5,606,303 non-voting common shares are held in escrow as at December 31, 2011. These common shares are held in escrow pursuant to the terms of three different escrow agreements.

Warrants

The following is a summary of warrants outstanding as at December 31, 2011, December 31, 2010, and January 1, 2010, and changes during the years then ended.

	December 31, 2012		December 31, 2010		January 1, 2010	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of the year	7,172,043	$0.69	-	$-	-	$-
Issued	7,313,890	1.00	7,172,043	0.69	-	-
Exercised	(746,572)	0.31	-	-	-	-
Expired	(2,766,603)	0.90	-	-	-	-
Outstanding, end of the year	10,972,758	$0.87	7,172,043	$0.69	-	$-

As at December 31, 2011, the Company had the following warrants outstanding:

Outstanding	Exercise Price	Expiry Date
2,625[1]	US$0.65	April 14, 2012[3]
3,005,000	US$0.65	April 14, 2012[4]
153,020[1]	US$0.30	May 28, 2012
83,998[1]	US$0.30	June 14, 2012
416,850[1 2]	US$0.50	October 14, 2012
6,666,659	$1.00	February 28, 2013
644,606[1]	$1.00	February 28, 2013
10,972,758		

[1] Agents warrants
[2] Upon exercise these warrants will yield a holder one share in the Company and one half warrant. Each whole warrant is exercisable at US$0.50 until October 14, 2012.
[3] Subsequently exercised
[4] 140,000 warrants have been subsequently exercised and 2,865,000 subsequently expired

During the year ended December 31, 2011, the Company issued 647,231 (2010 – Nil) compensation warrants with a fair market value of $147,898 (2010-$Nil).

7. CAPITAL STOCK AND OTHER EQUITY RESERVE (Cont'd…)

Warrants (cont'd…)

The following weighted average assumptions were used for the Black-Scholes valuation of the compensation warrants granted during the year:

	December 31, 2011	December 31, 2010	January 1, 2010
Risk-free interest rate	1.75%	1.53%	-
Expected life of warrants	2 years	2 years	-
Annualized volatility	75%	75%	-
Dividend rate	0%	0%	-

The risk free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed warrant life. The expected average term is the average expected period to exercise, based on historical activity patterns. The expected volatility is based on the historical prices of similar companies within the industry.

Warrant Liability

Balance, January 1, 2010	$ -
Fair value adjustment	871,140
Balance, December 31, 2010	$ 871,140
Fair value adjustment	(424,417)
Balance, December 31, 2011	$ 446,723

The Company measures the fair value of outstanding warrants exercisable in a currency other than the functional currency of the issuer at the reporting date using the Black-Scholes options-pricing midel based on the following assumptions:

	December 31, 2011	December 31, 2010	January 1, 2010
Risk-free interest rate	0.97%	1.66%	-
Expected life of warrants	0.36 years	1.41 years	-
Annualized volatility	75%	75%	-
Dividend rate	0%	0%	-

Stock options

At the Company's annual general meeting held September 9, 2011, shareholders of the Company approved amendments to the Company's stock option plan (the "Plan"), whereby the Plan was amended to make some administrative changes and to change the number of shares authorized for issuance under the Plan to a fixed 20% of the issued and outstanding shares of the Company. Currently, the number of shares authorized for issuance under the Plan is 11,073,560. Options granted under the Plan have a maximum term of 5 years. The vesting terms are at the Board of Directors' discretion.

The following is a summary of stock options outstanding as at December 31, 2011, December 31, 2010, and January 1, 2010, and changes during the years then ended.

7. CAPITAL STOCK AND OTHER EQUITY RESERVE (Cont'd…)

Stock options (Cont'd…)

	December 31, 2011		December 31, 2010		January 1, 2010	
	Number of options	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price
Outstanding, beginning of year	6,543,333	$ 0.44	234,666	$ 0.30	293,333	$ 2.58
Exercised	(117,332)	0.30	-	-	-	-
Expired/cancelled	-	-	-	-	(117,333)	0.30
Granted	1,100,000	0.62	6,308,667	0.44	58,666	0.30
Outstanding, end of year	7,526,001	$ 0.47	6,543,333	$ 0.44	234,666	$ 0.30

At December 31, 2011 the following stock options were outstanding and exercisable:

Outstanding	Exercisable	Exercise Price	Expiry Date
117,334	117,334	$ 0.30	February 20, 2013
2,800,000	2,800,000	USD 0.25	December 18, 2014
58,667	58,667	$ 0.30	May 14, 2015
3,100,000	1,550,000	$ 0.60	October 14, 2015
150,000	150,000	$ 0.60	November 1, 2015
200,000	100,000	$ 0.60	December 1, 2015
200,000	50,000	$ 0.62	February 1, 2016
250,000	187,500	$ 0.71	March 10, 2016
150,000	37,500	$ 0.60	April 25, 2016
200,000	100,000	$ 0.60	May 3, 2016
200,000	-	$ 0.60	August 2, 2016
100,000	-	$ 0.50	September 6, 2016
7,526,001	5,151,001		

The weighted average exercise price of the outstanding and exercisable options is $0.47 and $0.40 respectively.

Share-based compensation

The Company recognizes compensation expense for all stock options granted using the fair value based method of accounting. The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares and expected life of the options. During the year ended December 31, 2011, the Company recognized share-based compensation of $898,746 (2010 - $209,482). The weighted average fair value for options granted during the period is $0.62 (2010- $0.44) per option.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the period:

7. CAPITAL STOCK AND OTHER EQUITY RESERVE (Cont'd…)

Share-based compensation (Cont'd…)

	December 31 2011	December 31 2010
Risk-free interest rate	2%	1.82%
Expected life of options	5 years	4.6 years
Annualized volatility	75%	74%
Expected forfeitures	4%	-
Dividend rate	0%	-

The risk free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche. The expected volatility and expected forfeitures are based on volatility and forfeitures for comparable companies.

Other equity reserve

	Options and agent warrants	Finance warrants	Total
Balance, January 1, 2010	$ 474,231	$ -	$ 474,231
Fair value of finance warrants	-	370,014	370,014
Fair value of agents warrants	65,262	-	65,262
Share-based compensation	209,482	-	209,482
Balance, December 31, 2010	$ 748,975	$ 370,014	$ 1,118,989
Fair value of finance warrants	-	1,284,083	1,284,083
Fair value of agents warrants	147,898	-	147,898
Fair value of warrants exercised	(34,182)	(1,211)	(35,393)
Fair value of options exercised	(87,291)	-	(87,291)
Share-based compensation	898,746	-	898,746
Balance, December 31, 2011	$ 1,674,146	$ 1,652,886	$ 3,327,032

8. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying consolidated financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors, corporate officers, including the Company's Chief Executive Officer, Chief Financial Officer, and Vice Presidents.

Remuneration attributed to key management personnel can be summarized as follows:

	Years ended December 31,	
	2011	**2010**
	$	$
Share-based compensation	**556,443**	170,325
Short-term benefits*	**306,673**	262,635
Incentive compensation other than share-based compensation	**80,000**	-
	943,116	432,960

* include base salaries, pursuant to contractual employment or consultancy arrangements

Other related parties

Forbes West Management Corp. ("Forbes West") (formerly EGM Exploration Group Management Corp.) is an entity owned by a director of the Company and provides administrative, management, geological, regulatory, tax, corporate development and investor relations services to the Company.

Sullivan Trust (the "Trust") is an entity owned by a former director of the Company. The Company has an option agreement with the Trust to acquire 100% of the title to the mineral property interests that constitute the Gunnison Project. The Trust also has a lease agreement with the Company for a core shed located on the property.

Cassels Brock & Blackwell LLP, a legal firm where a partner is a director of the Company provided legal services to the Company in 2010.

Transactions entered into with related parties other than key management personnel include the following:

	Years ended December 31,	
	2011	**2010**
	$	$
Forbes West	**1,050,859**	164,077
Sullivan Trust	**-**	167,204
Cassels Brock & Blackwell LLP	**-**	148,123
	1,050,859	479,404

8. RELATED PARTY TRANSACTIONS (Cont'd…)

Amounts due to related parties at December 31, 2011 included the following:

- SCT Holding Management LLC, a company controlled by a CEO, –$13,560 (December 31, 2010 - $Nil, January 1, 2010 - $Nil)
- Forbes West –$144,217 (December 31, 2010 - $82,255, January 1, 2010 - $Nil)
- Taloumba Inc., a company controlled by a VP Exploration - $12,712 (December 31, 2010 - $Nil, January 1, 2010 - $Nil)
- AzTech Resources LLC –$Nil (December 31, 2010 - $81,069, January 1, 2010 - $73,052). This liability bore interest of 6% per annum compounded annually with no fixed terms of repayment.

Amounts due to related parties included in notes payable (Note 6) as at December 31, 2011 included the following:

- Stephen Twyerould, a CEO, –$Nil (December 31, 2010 - $48,588, January 1, 2010 - $45,775)
- Taloumba, Inc. - $Nil (December 31, 2010 - $Nil, January 1, 2010 - $108,608)
- Roland Goodgame, a VP Exploration, - $Nil (December 31, 2010 - $Nil, January 1, 2010 – $23,472)
- SCT Holding Management LLC - $Nil (December 31, 2010 - $Nil, January 1, 2010 - $159,379)
- Cassels Brock & Blackwell LLP - $NIL (December 31, 2010 - $Nil, January, 2010 - $144,251)
- Kevin Sullivan, a former director, - $Nil (December 31, 2010 - $NIL, January 2010 - $22,544)

9. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial income tax rate to the income tax recovery presented in the accompanying consolidated statements of comprehensive loss is provided below.

	Years ended December 31, 2011	2010
Combined federal and provincial statutory income tax rate	**26.9%**	28.5%
Net loss for the year before income taxes	**$ (6,182,631)**	$(2,532,863)
Income tax recovery based on statutory income tax rate	**(1,638,000)**	(722,000)
Impact of different foreign exchange rates on earnings of subsidiary	**(499,000)**	(120,000)
Non-deductible expenditures and non-taxable revenues	**133,000**	314,000
Impact of future income tax rates applied versus current statutory rate	**24,000**	9,000
Change in unrecognized deductible temporary defferences	**2,165,000**	1,419,000
Other	**(185,000)**	(900,000)
	$ -	$ -

Significant components of the Company's unrecognized deferred income tax assets, which are not set up, are summarized below.

	December 31 2011	December 31 2010	January 1 2010
Deferred tax assets:			
Exploration and evaluation assets	**$ 23,000**	$ 24,000	$ -
Non-capital losses	**1,910,000**	1,207,000	642,000
Share-issue costs	**225,000**	187,000	20,000
Capital assets	**7,000**	1,000	55,000
	$ 2,165,000	$ 1,419,000	$ 717,000

As of December 31, 2011, the Company had non-capital losses of approximately $5,953,000 ($3,493,000 as of December 31, 2010) and undeducted share issuance costs totalling to $899,000 (2010-$750,000) that may be applied against future income for Canadian income tax purposes. The non-capital loses expire as follows:

2016	$ 6,000
2027	366,000
2028	356,000
2029	1,088,000
2030	1,777,000
2031	2,360,000
	$5,953,000

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The following were significant non-cash transactions affecting cash flows from operating, investing, and financing activities during the year ended December 31, 2011:

- The Company issued 644,606 agent warrants in connection with its financings as described in Note 7, with a fair value of $147,898 (2010 - $Nil).

- 10,000 warrants at a price of US$0.65 and 523,000 compensation warrants at a price of $US0.25, 5,250 compensation warrants at a price of US$0.50, and 208,322 compensation warrants at a price of $0.45 were exercised. An amount of $35,393, representing the fair value of warrants on granting was reclassified from reserves to share capital on exercise.

- 117,332 stock options at a price of $0.30 per option were exercised; upon the exercise a fair value of $87,291 was reclassified from reserves to share capital.

The following were significant non-cash transactions affecting cash flows from operating, investing, and financing activities during the year ended December 31, 2010:

- 97,510 common shares were issued to settle debt in the amount of $146,974.

- The Company issued 237,018 agent warrants in connection with its June 2010 financings as described in Note 7, with a fair value of $30,547.

- 1,667 common shares were issued for commitment to issue shares in 2009 with a value of $2,676.

- The Company issued 422,110 agents warrants in connection with its financing as described in Note 7, with a fair value of $34,715.

- The Company acquired all of the issued and outstanding share capital of AzTech as disclosed in Note 3.

11. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration and evaluation of mineral properties in North America.

Geographical information is as follows

	December 31, 2011	December 31, 2010	January 1, 2010
Equipment			
United States	$ 72,058	$ 2,986	$ -
Canada	1,766	2,496	-
	$ 73,824	$ 5,482	$ -
Exploration and evaluation			
United States	$ 193,037	$ 188,785	$ 41,840
Canada	-	-	-
	$ 193,037	$ 188,785	$ 41,840

12. FINANCIAL INSTRUMENTS

The fair value of the Company's receivables, accounts payable and accrued liabilities, due to related parties, and notes payable approximate carrying value which is the amount recorded on the consolidated statement of financial position due to their short term maturity or ability of prompt liquidation. Cash and cash equivalents, under the fair value hierarchy are based on level one quoted prices in active markets for identical assets and liabilities. The Company's other financial instrument, warrants liability, under the fair value hierarchy is recorded at fair value based on level 2 input as outline in Note 7.
As at December 31, 2011, the Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash and cash equivalents are held at large North American financial institutions in interest bearing accounts. The Company has no investments in asset-backed commercial paper.

The Company's receivables consist mainly of input tax credit receivable due from the Government of Canada, and as a result the Company doesn't believe it is subject to significant credit risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk through its capital management as outlined in Note 13 to the consolidated financial statements. Accounts payable and accrued liabilities are due within one year.As at December 31, 2011, the Company has a cash and cash equivalents balance of $5,382,104 to settle current liabilities of $896,194. Management believes that it has sufficient funds to meet its current liabilities as they become due.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and commodity and equity prices and foreign currency fluctuations.

(a) Interest Rate Risk

The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The risk that the Company will realize a loss as a result of a decline in the fair value of short-term investments included in cash and cash equivalents is minimal because these investments roll over daily. As of December 31, 2011, the Company did not have interest bearing debt.

(b) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

(c) Currency risk

Currency exchange risk is the risk that the future cash flows of financial instruments will fluctuate as a result of changes in foreign exchange rates. The majority of the Company's operations are conducted in U.S. dollars; the recent Company's financing and any future equity raised is expected to be predominantly in Canadian dollars. Consequently, the Company is impacted by changes in the exchange rate between the Canadian and United States dollars. As of December 31, 2011, the Company's net US dollar financial assets were $US568,724. Thus, a 10% change in the Canadian dollar versus the U.S. dollar exchange rate would affect other comprehensive income (loss) by $48,709 and net income (loss) by $9,130.

13. CAPITAL DISCLOSURES

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and evaluation of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

In the management of capital, the Company considers components of shareholders' equity, with cash and cash equivalents being its primary components.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

14. FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

As stated in Note 2, these consolidated financial statements have been prepared in accordance with IFRS. The accounting policies in Note 2 have been applied in preparing the consolidated financial statements for the years ended December 31, 2011 and 2010, and the opening IFRS statement of financial position on January 1, 2010, the "Transition Date".

In preparing the opening IFRS statement of financial position and the financial statements for the year ended December 31, 2010, the Company has adjusted amounts reported previously in financial statements that were prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables. The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS.

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

(i) Share-based payments

IFRS 1 permits the application of IFRS 2 Share Based Payments only to equity instruments granted after November 7, 2002 that had not vested by the date of transition to IFRS. The Company has applied this exemption and will apply IFRS 2 for equity instruments granted after November 7, 2002 that had not vested by January 1, 2010.

(ii) Business combinations

IFRS 1 permits the application of IFRS 3 Business Combinations on a prospective basis from the Transition Date. The Company has applied this exemption and will apply IFRS 3 for business combinations after the Transition Date.

Reconciliations

The adoption of IFRS has resulted in changes to the Company's reported financial position and results of operations. The Company's adoption of IFRS did not have an impact on the total operating, investing or financing cash flows. In order to allow the users of the financial statements to better understand these changes, the financial statements previously presented under Canadian GAAP have been reconciled to IFRS. For a description of the changes, see the discussion in Notes to the IFRS Reconciliations below.

14. FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (cont'd...)

The January 1, 2010 Canadian GAAP Consolidated Statement of Financial Position has been reconciled to IFRS as follows:

	Canadian GAAP	IFRS Adjustments	IFRS	Ref
Assets				
Current				
Cash and cash equivalents	$ 1,092,028	$ -	$ 1,092,028	
Exploration and evaluation assets	117,015	(75,175)	41,840	(i)
	$ 1,209,043	**$ (75,175)**	**$ 1,133,868**	
Liabilities And Shareholders' Equity				
Accounts payable and accrued liabilities	$ 53,328	$ -	$ 53,328	
Due to related parties	73,052	-	73,052	
Current portion of notes payable	2,500	-	2,500	
Long-term notes payable	800,845	-	800,845	
	929,725	-	929,725	
Shareholders' equity				
Capital stock	1,952,013	-	1,952,013	
Commitment to issue shares	2,676	-	2,676	
Other equity reserve	474,231	-	474,231	
Deficit	(2,210,176)	(81,682)	(2,291,858)	(i)
Accumulated Other Comprehensive Income	60,574	6,507	67,081	
	279,318	(75,175)	204,143	
	$ 1,209,043	**$ (75,175)**	**$ 1,133,868**	

14. FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (cont'd...)

The December 31, 2010 Canadian GAAP Consolidated Statement of Financial Position has been reconciled to IFRS as follows:

	Canadian GAAP	Adjustments	IFRS	Ref
Assets				
Cash and cash equivalents	$ 3,570,434	$ -	$ 3,570,434	
Prepaids	81,968	-	81,968	
Receivables	77,656	-	77,656	
Equipment	5,482	-	5,482	
Exploration and evaluation assets	540,158	(351,373)	188,785	(i)
	$ 4,275,698	**$ (351,373)**	**$ 3,924,325**	
Liabilities And Shareholders' Equity				
Accounts payable and accrued liabilities	$ 113,387	$ -	$ 113,387	
Due to related parties	163,324	-	163,324	
Current portion of notes payable	246,072	-	246,072	
Warrant liability	-	871,140	871,140	(v)
	522,783	871,140	1,393,923	
Shareholders' equity				
Capital stock	6,365,743	(157,994)	6,207,749	(iv)
Other equity reserve	1,011,851	107,138	1,118,989	(ii)
Deficit	(3,629,649)	(1,195,072)	(4,824,721)	
Accumulated Other Comprehensive Income	4,970	23,415	28,385	(iii)
	3,752,915	(1,222,513)	2,530,402	
	$ 4,275,698	**$ (351,373)**	**$ 3,924,325**	

14. FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (cont'd...)

The Canadian GAAP consolidated statement of comprehensive (loss) income for the year ended December 31, 2010 has been reconciled to IFRS as follows:

	Canadian GAAP	IFRS Adjustments	IFRS	Ref
Consulting fees	$ 59,093	$ -	$ 59,093	
Depreciation	1,550	-	1,550	
Exploration and evaluation	-	304,323	304,323	(i)
Insurance	2,977	-	2,977	
Investor relations	9,047	-	9,047	
Management fees	236,886	-	236,886	
Office and administration	39,847	-	39,847	
Professional fees	541,072	-	541,072	
Regulatory fees	25,517	-	25,517	
Rent	6,826	-	6,826	
Share-based compensation	102,344	107,138	209,482	(ii)
Travel & entertainment	31,697	-	31,697	
Wages and salaries	88,209	-	88,209	
	(1,145,065)	(411,461)	(1,556,526)	
Debt forgiveness	25,119	-	25,119	
Foreign exchange loss	(2,331)	(2,917)	(5,248)	(iii)
Write-off of exploration and evaluation assets	(237,688)	172,128	(65,560)	(i)
Interest expense	(59,508)	-	(59,508)	
Unrealized loss on warrants	-	(871,140)	(871,140)	(v)
	(274,408)	(701,929)	(976,337)	
Net loss for the year	(1,419,473)	(1,113,390)	(2,532,863)	
Cumulative translation adjustment	(55,604)	16,908	(38,696)	
Accumulated other comprehensive income - beginning of year	60,574	6,507	67,081	
Accumulated other comprehensive income- end of year	4,970	23,415	28,385	
Comprehensive loss for the year	(1,475,077)	(1,096,482)	(2,571,559)	

14. FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (cont'd...)

The Canadian GAAP consolidated statement of cash flows for year ended December 31, 2010 has been reconciled to IFRS as follows:

	Canadian CAAP	IFRS Adjustments	IFRS	Ref
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the year	$ (1,419,473)	$ 172,128	$ (2,532,863)	(i)
		(107,138)		(ii)
		(2,917)		(iii)
		(304,323)		(i)
		(871,140)		(v)
Item not affecting cash:				
Depreciation	1,550	-	1,550	
Debt forgiveness	(25,119)	-	(25,119)	
Write-off of mineral property	237,688	(172,128)	65,560	(i)
Share-based compensation	102,344	107,138	209,482	(ii)
Unrealized loss on foreign exchange	2,459	2,917	5,376	(iii)
Unrealized loss on warrants	-	871,140	871,140	(v)
Changes in non-cash working capital items:				
Prepaid expenses	(61,904)	-	(61,904)	
Accounts receivable	(27,581)	-	(27,581)	
Accounts payable and accrued liabilities	(49,614)	65,785	16,171	(i)
Due to related party	12,361	-	12,361	
Net cash used in operating activities	(1,227,289)	(238,538)	(1,465,827)	
CASH FLOWS FROM INVESTING ACTIVITIES				
Mineral properties	(391,052)	236,562	(154,490)	(i)
Purchase of equipment	(4,418)	-	(4,418)	
Cash acquired from acquisition	1,088,104	-	1,088,104	
Net cash provided by investing activities	692,634	236,562	929,196	
CASH FLOWS FROM FINANCING ACTIVITIES				
Notes payable	(366,664)	-	(366,664)	
Shares issued for cash (net of costs)	3,442,463	-	3,442,463	
Net cash provided by financing activities	3,075,799	-	3,075,799	
Increase in cash during the year	2,541,144	(1,976)	2,539,168	
Effect of foreign exchange on cash	(62,738)	1,976	(60,762)	
Cash, beginning of the year	1,092,028	-	1,092,028	
Cash, end of the year	$ 3,570,434	$ -	$ 3,570,434	

14. FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (cont'd...)

Notes to the IFRS reconciliations:

i) Exploration and evaluation expenditures

IFRS allows an entity to select an appropriate accounting policy for the treatment of resource properties (known as exploration and evaluation assets under IFRS). As a result, on transition to IFRS, it is possible to continue to follow the policies previously established by the Company or to change to a new policy. Under existing Canadian GAAP, the Company followed the policy of capitalizing all mineral property expenditures directly attributable to the exploration or evaluation of each property, including an appropriate allocation of overhead related to the activity. On transition to IFRS, the Company changed the policy to expensing all mineral property expenditures directly attributable to the exploration or evaluation of each property under IFRS. The decision to change this policy was made to streamline the financial reporting process and simplify the presentation of financial information for investors. As at December 31, 2010, this change of policy resulted in a decrease of $351,373 (January 1, 2010 - $75,175) in the carrying value of resource properties and a corresponding increase of $304,323 in exploration and evaluation expense and a decrease of $172,128 in write-off exploration and evaluation assets account in the statements of comprehensive (loss) income for the year ended December 31, 2010.

ii) Share-based payments

Under Canadian GAAP, the fair value of stock-based awards with graded vesting are calculated as one grant and the resulting fair value is recognized on a straight-line basis over the vesting period. Forfeitures of awards are recognized as they occur.
Under IFRS, a fair value measurement is required for each vesting instalment within the option grant. Each instalment must be valued separately, based on assumptions determined from historical data, and recognized as compensation expense over each instalment's individual tranche vesting period. Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods. As at December 31, 2010 this accounting policy change resulted in an increase in other equity reserve of $107,138 (January 1, 2010 - $Nil) and a corresponding increase in share-based compensation expense.

iii) Foreign currency translation

The Company determined that the functional currency of Excelsior Arizona was the United States dollar under IFRS, whereas the functional currency had been assessed as the Canadian dollar under Canadian GAAP. This change in the functional currency of Excelsior Arizona resulted in an increase in foreign exchange loss of $2,917 for the year ended December 31, 2010. There was no effect for as a result of this change as at January 1, 2010.

iv) *Capital stock*

On transition to IFRS the Company changed its policy from capitalizing mineral property expenditures to expensing them. Consequently, the purchase price for the acquisition of AzTech changed from $1,256,892 to $1,098,898, due to a decrease in the allocation to mineral properties of $157,994. This change also resulted in a decrease in capital stock of $157,994 and a corresponding increase in deficit.

v) Warrants

IFRS requires that outstanding common share purchase warrants denominated in a currency other than the functional currency of the entity issuing the warrants ("Foreign Currency Warrants") to be treated as derivative instrument, reordered as liabilities and measured at fair value at each reporting date. Changes in fair value are included as part of net income in the statement of operations and comprehensive loss. Under Canadian GAAP, the Company accounted for these warrants as equity instruments measured at their fair value at the date of issue and not subsequently re-measured. As at January 1, 2010 (the date of transition to IFRS), the Company did not have any Foreign Currency Warrants. During the year ended December 31, 2010, the Company issued Foreign Currency Warrants, which had a value of $871,140 as at December 31, 2010.

15. SUBSEQUENT EVENTS

The following are the transactions subsequent to the year ended December 31, 2011

- 382,268 common shares were issued in connection with the exercises of 237,018 compensation warrants with an exercise price of US$0.30, 1,750 compensation warrants with an exercise price of US$0.50, 3,500 compensation warrants with an exercise price of US$0.65, and 140,000 warrants with an exercise price of US$0.65.

- 1,441,333 stock options with an exercise price of $0.73 were granted to certain directors and an officer of the Company.

GENERAL

Management's discussion & analysis ("MD&A") is intended to supplement and complement the consolidated financial statements of Excelsior Mining Corp. (the "Company" or "Excelsior"). The information provided herein should be read in conjunction the Company's audited consolidated financial statements and notes for the year ended December 31, 2011 and 2010.

All dollar figures presented are expressed in Canadian dollars unless otherwise noted. Financial statements and summary information derived therefrom are prepared in accordance with International Financial Reporting Standards ("IFRS"). The disclosures concerning the transition from Canadian GAAP to IFRS are included in Note 13 of the consolidated financial statements for the year ended December 31, 2011.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company's board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management quarterly to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

The reader is encouraged to review the Company statutory filings on www.sedar.com and to review general information including reports and maps on the Company's website at www.excelsiormining.com.

FORWARD LOOKING INFORMATION

This MD&A contains "forward-looking information" concerning anticipated developments and events that may occur in the future. Forward looking information contained in this MD&A includes, but is not limited to, statements with respect to: (i) the estimation of inferred and indicated mineral resources; (ii) the market and future price of copper and related products; (iii) success of exploration activities; (iv) permitting time lines; (v) currency fluctuations; (vi) requirements for additional capital; (vii) government regulation of mining operations; (viii) environmental risks; (ix) unanticipated reclamation expenses; (x) title disputes or claims; (xi) limitations on insurance coverage; (xii) increases in mineral resource estimates; and (xiii) construction and development timeline.

In certain cases, forward-looking information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information contained in this MD&A is based on certain factors and assumptions regarding, among other things, the estimation of mineral reserves and resources, the realization of resource estimates, copper and other metal prices, the timing and amount of future exploration and development expenditures, the estimation of initial and sustaining capital requirements, the estimation of labour and operating costs, the availability of necessary financing and materials to continue to explore and develop the Gunnison Project (as defined herein) in the short and long-term, the progress of exploration and development activities, the receipt of necessary regulatory approvals and permits, the estimation of insurance coverage, and assumptions with respect to currency fluctuations, environmental risks, title disputes or claims, and other similar matters. While the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Forward looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any

future results, performance or achievements expressed or implied by the forward-looking information. Such factors include risks inherent in the exploration and development of mineral deposits, including risks relating to changes in project parameters as plans continue to be redefined including the possibility that mining operations may not commence at the Gunnison Project, risks relating to variations in mineral resources, grade or recovery rates resulting from current exploration and development activities, risks relating to changes in copper prices and the worldwide demand for and supply of copper and related products, risks related to increased competition in the market for copper and related products and in the mining industry generally, risks related to current global financial conditions, uncertainties inherent in the estimation of mineral resources, access and supply risks, reliance on key personnel, operational risks inherent in the conduct of mining activities, including the risk of accidents, labour disputes, increases in capital and operating costs and the risk of delays or increased costs that might be encountered during the development process, regulatory risks, including risks relating to the acquisition of the necessary licenses and permits, financing, capitalization and liquidity risks, including the risk that the financing necessary to fund the exploration and development activities at the Gunnison Project may not be available on satisfactory terms, or at all, risks related to disputes concerning property titles and interest, and environmental risks. Also, see "Risk Factors" in the Company's Annual Information Form for the year ended December 31, 2011.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking information is made as of the date of this MD&A.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. Except as required by applicable securities laws, the Company does not undertake any obligation to publicly update or revise any forward-looking information.

CAUTIONARY NOTE TO U.S. INVESTORS – INFORMATION CONCERNING PREPARATION OF RESOURCE AND RESERVE ESTIMATES

This MD&A has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of United States securities laws. Unless otherwise indicated, all resource and reserve estimates included in this MD&A have been prepared in accordance with Canadian National Instrument 43-101 ("NI 43-101") and the Canadian Institute of Mining and Metallurgy Classification System. NI 43-101 is a rule developed by the Canadian Securities Administrators which establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects.

Canadian standards, including NI 43-101, differ significantly from the requirements of the United States Securities and Exchange Commission ("SEC"), and resource information contained herein may not be comparable to similar information disclosed by U.S. companies. In particular, and without limiting the generality of the foregoing, the term "resource" does not equate to the term "reserves". Under U.S. standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. The SEC's disclosure standards normally do not permit the inclusion of information concerning "measured mineral resources", "indicated mineral resources" or "inferred mineral resources" or other descriptions of the amount of mineralization in mineral deposits that do not constitute "reserves" by U.S. standards in documents filed with the SEC. U.S. investors should also understand that "inferred mineral resources" have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an "inferred mineral resource" will ever be upgraded to a higher category. Under Canadian rules, estimated "inferred mineral resources" may not form

the basis of feasibility or pre-feasibility studies. Investors are cautioned not to assume that all or any part of an "inferred mineral resource" exists or is economically or legally mineable. Disclosure of "contained ounces" in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in place tonnage and grade without reference to unit measures. The requirements of NI 43-101 for identification of "reserves" are also not the same as those of the SEC. Accordingly, information concerning mineral deposits set forth herein may not be comparable with information made public by U.S. companies subject to the reporting and disclosure requirements of the SEC.

DESCRIPTION OF BUSINESS AND OVERVIEW

Excelsior was incorporated under the *Business Corporations Act* (British Columbia) on June 9, 2005 and is classified as a Tier 2 issuer on the TSX Venture Exchange ("TSX-V"). The Company was previously classified as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4

On March 5, 2010, the Company entered into an option agreement with Eagle Plains Resources Ltd. ("Eagle Plains"), whereby Eagle Plains granted the Company an option to acquire up to 70% interest in the Wildhorse Property, located north of Cranbrook, British Columbia. The transaction between The Company and Eagle Plains was an arm's length transaction and was the Company's Qualifying Transaction under the applicable policies of the TSX-V.

On October 14, 2010, the Company completed a reverse takeover ("RTO") by acquiring all of the issued and outstanding common shares of AzTech Minerals, Inc. ("AzTech") in exchange for 22,359,173 voting common shares and 7,007,876 non-voting and non-publicly traded common shares of the Company. The Company is listed on the TSX-V under the symbol "MIN", Frankfurt Stock Exchange under the symbol "3XS", and on QTCQX under the symbol "EXMGF". Currently, the Company is conducting exploration and evaluation activities related entirely to the Gunnison Copper project located within the copper porphyry belt of Arizona.

During the 2010 fiscal year, the Company consolidated its common shares on a basis of one new common share for every 3 common old shares held. All references to shares and per share amounts, unless otherwise stated, have been retroactively restated to reflect the consolidation.

ACQUISITION

Effective October 14, 2010, the Company acquired all of the issued and outstanding share capital of AzTech. As consideration, the Company issued two common shares for each AzTech share issued and outstanding as at the date of acquisition. The Company also issued two options for each stock option, and two share purchase warrants for each share purchase warrant outstanding immediately prior to the date of acquisition. As a result, the Company issued 22,359,173 common shares and 7,007,876 non-voting and non-publicly traded common shares of the Company. In addition, the Company issued 2,800,000 stock options and 760,018 share purchase warrants. As part of the transaction, AzTech and Excelsior Mining Arizona, Inc. ("Excelsior Arizona") were merged by way of a plan of merger in accordance with the Arizona Revised Statutes and Excelsior Arizona was the surviving corporation.

Legally, the Company is the parent of AzTech (now Excelsior Arizona). However, as a result of the share exchange described above control of the combined companies passed to the former shareholders of AzTech. This type of share exchange, referred to as a "reverse takeover", deems AzTech to be the acquirer for accounting purposes. Accordingly, the net assets of AzTech are included in the statement of financial position at book values and the acquisition of the Company is accounted for by the purchase method with the net assets of the Company recorded at fair market value at the date of acquisition. The expenses and assets and liabilities subsequent to the date of acquisition include accounts of the Company. The expenses and

assets and liabilities for the period ended September 30, 2010 are those of AzTech. The net assets of the Company totaled $1,256,892 at the date of acquisition and have been allocated below.

The cost of an acquisition should be based on the fair value of the consideration given, except where the fair value of the consideration given is not clearly evident. In such a case, the fair value of the net assets acquired is used.

The total purchase price of $1,098,898 was allocated as follows:

Cash	$1,088,104
Prepaid expenses	21,914
Accounts receivable	50,075
Equipment	2,720
Mineral properties	65,560
Accounts payable	(129,475)
	$1,098,898

Expenses relating to the reverse takeover totaled $341,250, consisting of the fair value of 650,000 common shares issued as a finders' fee and $133,181 in acquisition costs.

MINERAL PROPERTIES

The Gunnison Copper Project is located within the copper porphyry belt of Arizona, 65 miles southeast of Tucson and 1.5 miles southeast of the historic Johnson Camp mining district. The Property is located near the I-10 freeway, covers approximately 3,800 acres (1,550 hectares) and contains two deposits. The North Star Deposit contains an indicated mineral resource of 3.21 billion pounds of oxide copper and an additional inferred mineral resource of 0.88 billion pounds of oxide copper (refer to tables below for grade and tonnage) which remain open for expansion. The South Star Deposit contains an inferred mineral resource of 0.38 billion pounds oxide copper (62 million tons at 0.30% copper at a cut-off of 0.1% copper).

NORTH STAR RESOURCE (OXIDE ONLY AT 0.1% CUT-OFF)

Category	Short Tons (million)	Total Copper %	Tons of Cu (million)	Pounds of Cu (billion)
Indicated	**511**	**0.31**	**1.60**	**3.21**
Inferred	**159**	**0.28**	**0.44**	**0.88**

NORTH STAR RESOURCE (OXIDE, MIXED & SULPHIDE)

Category	Short Tons (million)	Total Copper %	Tons of Cu (million)	Pounds of Cu (billion)
Indicated	**554**	**0.32**	**1.76**	**3.52**
Inferred	**200**	**0.30**	**0.61**	**1.22**

Note: 0.1% cut-off for Oxide component and 0.3% cut-off for Mixed and Sulphide components

Mineral resources that are not mineral reserves do not have demonstrated economic viability.

The oxide copper portion of the deposit has the potential to be mined using in-situ recovery ("ISR") methods. This will allow the copper to be recovered at a much lower cost than conventional mining methods. Copper has successfully been extracted using ISR in Arizona on numerous occasions including the San Manuel Mine located less than 70 miles to the northwest of Gunnison.

On January 12, 2011, the Company commenced a 32,800 feet drill program. A total of 33,792 feet of drilling was completed by May 17, 2011 and the program successfully upgraded the majority of the oxide mineral resource from the inferred to the indicated category. These results are presented in the above table.

On February 2, 2011, the Company commenced a metallurgical program. Samples from two holes were shipped to Hazen Research Inc., of Golden, Colorado for column leach testing. The column leach tests are intended to improve the current understanding of in-situ copper extraction on the Gunnison Copper Project. Specifically, the metallurgical tests involved loading 6-inch diameter clear PVC pipe with three representative samples from the North Star deposit and leaching them with a dilute sulfuric acid solution for 164 days. The three samples were from the Martin formation (Met 1: high acid consumer), Upper Abrigo (Met 2: moderate acid consumer) and Lower Abrigo (Met 3: low acid consumer). The Martin formation sample is representative of the higher acid consuming rocks that make up approximately 50% of the mineralization; whereas, the Abrigo samples are representative of the lower acid consuming rocks (making up the remaining 50% of the mineralization). Given that the copper mineralization is essentially all chrysocolla and other silicates occurring on natural fracture planes and surfaces, the core fragments of the higher acid consuming rocks were epoxy-coated to seal off any unnatural surfaces and fractures created by drilling and core handling.

The results indicate that within the fractured oxide copper zone, approximately 65% to 80% of the copper will dissolve if contacted by dilute sulfuric acid solutions at a pH of approximately 1.5. These results are consistent with typical metallurgical recoveries of copper oxide deposits in the southwestern USA and northern Mexico. These results represent metallurgical recovery and not overall copper recovery, which is expected to be in the range of 40% to 50%.

Estimates for acid consumption in terms of pounds of acid consumed per pound of copper recovered (lb/lb) were also completed for the recent test work. The results for each sample are as follows; Met 1, 8.9 lb/lb; Met 2, 5.0 lb/lb; and Met 3, 3.9 lb/lb. These results were very encouraging and generally superior to historical results, further demonstrating the potential for the Gunnison Project to become a low-cost copper producer.

On May 25, 2011, the Company commenced a hydrological program in order to determine the permeability of the mineralization and to confirm previous results that demonstrate that Gunnison can be mined using ISR techniques. The hydrological program consisted of drilling two holes, NSH-01 and NHS-02, up to 1,200 feet deep and included geophysical logging, pump testing, water sampling and other tests to determine permeability and flow rates. These two new tests complement previous testing in the late 1990's by Magma Copper Corporation (BHP-Billiton). The holes are all located in the central portion of the North Star Deposit. The results generated hydrological conductivities in the range expected for a fractured deposit and show the deposit is suitable for in-situ recovery.

ON December 1, 2011, the Company announced the results of the Preliminary Economic Assessment ("PEA") on the North Star Deposit of the Gunnison Copper Project. The PEA was completed by M3 Engineering & Technology Corporation ("M3") of Tucson, AZ and is effective as of November 18, 2011. The complete report was filed on SEDAR and posted on Excelsior's website on January 13, 2012. The PEA results arepositive and support Excelsior's contention that copper extraction at Gunnison via ISR has the potential to generate positive financial returns. The study showed that the low capital costs and low per pound operating costs provide the project with significant margins, which can act as a buffer from commodity market volatility.

Highlights of the North Star Gunnison Copper Project PEA include:

- After-Tax NPV of **US$561.7 million** (discounted at 7.5%, using US$2.50 copper price)
- After-Tax IRR of 30%
- Payback period of 3.6 years
- Initial capital costs of US$324.7 million (including SXEW plant, Infrastructure and Acid Plant)
- Total operating costs of US$0.68 per pound (averaged over life of mine)
- Royalty of US$0.01 per pound
- Annual production rate of 85.65 million pounds of copper
- Commercial production expected to commence in 2015, with a mine life of 20 years

As highlighted in the table below, the PEA illustrates very strong project economics in both the "Acid Plant" and "Base Case" (no acid plant) scenarios, with the Acid Plant option adding an additional US$80.7 million to the project NPV. Based on an annual production rate of 85.65 million pounds, the PEA indicates that including an Acid Plant as a component of the project, generates an after-tax Net Present Value ("NPV") of US$561.7 million, at a cash flow discount rate of 7.5%. The after-tax internal rate of return ("IRR") for this option is 30%. Initial capital expenditures for this option (including contingency) are estimated at US$324.7 million.

The PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the conclusions reached in the PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Excelsior has not yet completed a pre-feasibility study or feasibility study to demonstrate the economic viability of the Gunnison Project. Furthermore, no Mineral Reserves have been established on the Gunnison Project. Any statements regarding planned production rates, projected cash flows, payback period, IRR, NPV, construction timelines and commercial production in 2015 assume that Excelsior is or will be able to complete all of the required steps to bring the Gunnison Project into commercial production including the completion of a feasibility study to demonstrate the economic viability of the Gunnison Project, the completion of the permitting process, the conclusion of infrastructure agreements for railway transportation and power that Excelsior obtains the necessary project financing to pay for the capital costs to develop and construct a mine at the Gunnison. There is no certainty that Excelsior will be able to complete any or all of these steps and reference should be made to the "Forward-Looking Information" section of this MD&A.

Without an Acid Plant, the project still has a significant after-tax NPV of US$480.9 million and an IRR of 34%, at an 8% discount rate. Initial capital expenditures for this "Base Case" option are US$239.9 million. Details of both financial models are shown in the table below.

Both scenarios used the following parameters over the 20 year life of the project.

- copper selling price of US$2.50 per pound,
- total copper recovery of approximately 41.8% of the indicated plus inferred oxide resources
- average of 9 pounds of acid consumed for every pound of copper produced
- acid price of US$100/ton for the Base Case and US$42.2/ton for the Acid Plant option
- state tax rate of 6.97%, and
- a federal tax rate of 35%.

The North Star Deposit currently contains an indicated oxide copper mineral resource of **3.21 billion pounds** (511 million tons at 0.31% copper) and an additional inferred oxide copper mineral resource of **0.88 billion pounds** (159 million tons at 0.28% copper). Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Results of the Preliminary Economic Assessment on the North Star Deposit.

Excelsior Financial Model 2011	Unit	Acid Plant	Cost/lb	Base Case	Cost/lb
Copper Cathode sold	**MMlb**	**1,706**	**-**	**1,706**	**-**
Copper Price	**$/lb**	**2.50**	-	**2.50**	-
Gross Revenue	**$000's**	**4,265,436**	**-**	**4,265,436**	**-**
Royalties	**$000's**	**(19,618)**	**(0.01)**	**(19,618)**	**(0.01)**
Operating Costs					
Production (Wellfield)	$000's	(635,708)	(0.37)	(1,032,833)	(0.61)
SXEW	$000's	(415,224)	(0.24)	(463,504)	(0.27)
G&A	$000's	(108,198)	(0.06)	(108,198)	(0.06)
Sub-total Operating Costs	**$000's**	**(1,159,130)**	**(0.68)**	**(1,604,535)**	**(0.94)**
Initial Capital Costs					
Production (Wellfield)	$000's	(83,999)	(0.05)	(83,999)	(0.05)
SXEW + Infrastructure	$000's	(146,294)	(0.09)	(146,294)	(0.09)
Owners Costs	$000's	(9,650)	(0.01)	(9,650)	(0.01)
Acid Plant	$000's	(84,808)	(0.05)	-	-
Sub-total Initial Capital Costs	**$000's**	**(324,751)**	**(0.19)**	**(239,943)**	**(0.14)**
Sustaining Capital Costs	**$000's**	**(348,295)**	**(0.20)**	**(339,597)**	**(0.20)**
Taxes	**$000's**	**(762,508)**	**(0.45)**	**(615,248)**	**(0.36)**
NPV and IRR					
Discount Rate		**7.50%**		**8.00%**	
Pre-Tax Cash Flow	**$000's**	**2,317,799**		**1,984,965**	
Pre-Tax NPV	**$000's**	**883,034**		**732,842**	
Pre-Tax IRR		**40%**		**47%**	
Payback (years)		**2.7**		**2.1**	
Post-Tax Cash Flow	**$000's**	**1,555,292**		**1,369,718**	
Post-Tax NPV	**$000's**	**561,659**		**480,924**	
Post-Tax IRR		**30%**		**34%**	
Payback (years)		**3.6**		**3.2**	

Sustaining capital costs include reclamation and rehabilitation costs of $23.8 million for the Acid Plant option and $15.1 million for the "Base Case" (no acid plant option).

On January 11, 2012, Excelsior announced the results of an Economic Impact Study ("EIS") of the Gunnison Project. The study, completed by researchers at the L.W. Seidman Research Institute, W.P. Carey School of Business, Arizona State University, Tempe, AZ, illustrates that the project would generate significant positive economic benefit at both the State and County level.

Highlights of the Gunnison Copper Project EIS include:

- Creation of an average of **704 jobs** annually state-wide
  - *131 direct, on-site jobs; 573 in-direct or "secondary" jobs*
- **US$2.35 billion** added to Arizona's Gross State Product
- **US$214 million** in additional State revenue generated directly from the project

The numbers and dollar values quoted above are all based on Excelsior building its own acid plant and span the entire 28 year life of the project.

Excelsior's exploration work on the Gunnison Project is supervised by Dr. Stephen Twyerould, Fellow of AUSIMM, President and CEO of Excelsior, and a Qualified Person as defined by NI 43-101. Dr. Twyerould has reviewed and approved for the technical information contained in this document. Further information about the Gunnison Copper Project can be found in the technical report filed on SEDAR at www.sedar.com entitled: "Gunnison Copper Project Preliminary Economic Assessment, NI 43-101 Technical Report" dated November 18, 2011.

OUTLOOK

On March 5, 2012 Excelsior announced the details of its 2012 work program for the Gunnison Copper Project. The proposed $7.3 M program is aimed at completing a pre-feasibility study by the end of 2012 and will include:

- 5 diamond drill holes for metallurgical testing, with up to 10 column leach tests
- 5 percussion holes (wells) for base line environmental studies
- Up to 6 large diameter percussion holes for hydrological test wells
- Extensive geophysical testing for hydrology
- Approximately 18 diamond drill holes for structural, geological and resource definition
- Engineering studies for the pre-feasibility study

The program is designed to advance the project geologically, hydrologically and metallurgically, with a number of the planned activities scheduled to be executed simultaneously in order to maintain the proposed timeline for completion of the pre-feasibility study in 2012. The resultant data will be used to optimize well field design, leaching solution composition, as well as provide critical information for groundwater quality control and ultimately, project reclamation. Optimizing all the various aspects of the project will enable Excelsior to improve on the Gunnison Project's PEA results, as well as provide data that will be critical as the project moves into the permitting phase.

REVIEW OF FINANCIAL RESULTS

Results of operations for the year ended December 31, 2011 compared to the year ended December 31, 2010:

For the year ended December 31, 2011, the Company reported a comprehensive loss of $6,184,438 or $0.12 per common share, compared with a comprehensive loss of $2,571,559 or $0.17 per common share, for the year ended December 31, 2010.

The Company's expenses in 2011 increased significantly when compared to 2010 as a direct result of increased corporate and exploration and evaluation activities followed by the acquisition of AzTech in the fourth quarter of 2010 and completion of two equity financings in the fourth quarter of 2010 and the first quarter of 2011. The Company's 2011 results reflect a full year of the Gunnison project exploration activities, the developing of the Company's core team, and the active marketing of the Company.

Significant changes in the expense accounts are described below:

Exploration and evaluation expenses, which represent about 57% of the comprehensive loss, increased to $3,496,393 (2010-$304,323) as a result of developing the Gunnison project described above.

The following table summarizes exploration and evaluation expenses incurred in the years ended December 31, 2011 and December 31, 2010.

Gunnison Project	**2011**	**2010**
Administration	$ 28,218	$ 56,501
Drilling	2,593,606	185,872
Geology	360,982	47,816
Metallurgy	44,479	-
Hydrology	170,281	-
Geophysics	166,972	-
Resource estimate	183,412	-
Total	3,547,950	290,189
Wildhorse Project		
Geology	-	14,134
Government credits	(51,557)	-
Total	(51,557)	14,134
Balance at December 31	$ 3,496,393	$ 304,323

For the same reason all corporate expenses increased substantially, especially wages and salaries, consulting fees, and management fees increased to $1,012,620 (2010-$384,188) due to increase in personnel and the number of consultants providing services to the Company, office and administration, rent, and insurance increased to $285,887 (2010 - $49,650) in support of the overall expansion of the Company. Investor relations and travel increased to $673,114 (2010-$40,744) due to several new marketing initiatives and the various trade shows and conferences attended during the year.

Share-based compensation expense increased to $898,746 (2010-$209,482) due to granting stock options to new and existing employees, directors, and consultants in the last quarter of 2010 and during 2011 which affected recognition of share-based compensation expense for the current year. This expense had no effect on the Company's cash flows and represented 14% of the comprehensive loss for the year.

Other items impacted on the comprehensive loss are unrealized gain on warrants of $424,417 recorded in 2011 compared to an unrealized loss of $871,140 recorded in 2010, interest income on short term investments of $42,757 recorded in 2011, compared to 2010 interest of $59,508 paid on notes payable and write-off of exploration and evaluation assets of $65,560 related to the Wildhorse Property.

Selected Financial Period Information

Selected information for the three years ended December 31 presented below:

	2011[1]	**2010[1]**	**2009[2]**
Cash and cash equivalents	$ 5,382,104	$ 3,570,434	$ 1,092,028
Working capital	4,810,760	2,336,135	963,148
Total assets	5,973,815	3,924,325	1,209,043
Comprehensive loss income for the period	(6,184,438)	(2,571,559)	(1,471,977)
Loss per common share – basic	(0.12)	(0.17)	(0.46)
Loss per common share - diluted	(0.12)	(0.17)	(0.46)
Exploration and evaluation	3,496,393	304,323	-
Cash flow from financing activities	7,581,477	3,075,799	1,607,842

[1]*Prepared in accordance with IFRS*
[2]*Prepared in accordance with Canadian GAAP*

SELECTED QUARTERLY INFORMATION

Selected financial indicators for the past eight quarters are shown in the following table (Expressed in $'s):

	Dec 11 Quarter	Sep 11 Quarter	June 11 Quarter	Mar 11 Quarter	**Dec 10 Quarter**	Sep 10 Quarter	Jun 10 Quarter	Mar 10 Quarter
Comprehensive Income (Loss) for the period	**(484,813)**	(1,232,142)	(2,129,628)	(2,337,855)	**(1,869,360)**	(448,940)	(151,912)	(101,347)
Loss per share	**(0.01)**	(0.02)	(0.04)	(0.05)	**(0.13)**	(0.09)	(0.04)	(0.02)
Loss per share (fully diluted)	**(0.01)**	(0.02)	(0.04)	(0.05)	**(0.13)**	(0.09)	(0.04)	(0.02)
Total assets	**5,973,815**	6,454,389	7,586,651	9,943,733	**3,924,325**	949,109	1,575,856	1,012,927

The 2010 quarterly results have been converted from Canadian GAAP to IFRS.

Results of Operations for the three months ended December 31, 2011 compared to the three months ended December 31, 2010:

In the three months ended December 31, 2011, the Company reported a comprehensive loss of $484,813 or $0.01 per common share compared to a comprehensive loss of $1,869,360 or $0.13 per common share.

As mentioned above, in the fourth quarter of 2010 the Company completed the reverse takeover with AzTech and the subsequent equity financing, which explain a higher comprehensive loss in the fourth quarter of 2010 compared to the rest of 2010. In the first two quarters of 2011, the Company experienced a progressive increase in its operating and administrative expenditures and a slight decrease in the second part of the year due to the completion of the metallurgical and hydrological test works and the 2011 drilling program by the end of the year. Excluding unrealized gain on foreign currency warrants of $424,417 recorded in the last quarter of 2011 and an unrealized loss of $871,140 recorded in the last quarter of 2010, the results of those quarters are similar, however the expenditure components differ in the following:

Wages and salaries increased to $163,632 (2010 - $88,209) and office and administration increased to $85,736 (2010 - $6,808) due to the Company expanding its corporate activities and personnel supporting operations.

Investor relations increased to $92,907 (2010-$9,047) due to an overall increase in investor relations and promotional activities.

Share-based compensation decreased to $151,019 (2010-$209,482) due to the number of options granted in the last quarter of 2011 were less than in the same quarter of 2010, therefore resulting in less expense recognition.

Professional fees decreased to $62,314 (2010-$143,442) due to higher professional fees incurred in 2010 and attributable to completion of the RTO and meeting associated regulatory compliance and reporting needs.

The quarterly results presented above do not necessarily reflect any recurring expenditure patterns or predictable trends. Management expects that all Company expenses will remain at similar levels to 2011 in 2012.

LIQUIDITY, FINANCING, AND CAPITAL RESOURCES

The Company had cash on hand of $5,382,104 as of December 31, 2011 (December 31, 2010 - $3,570,434) and working capital of $4,810,760 (December 31, 2010 - $2,336,135).

The Company has sufficient working capital to complete its currently planned exploration programs on the Gunnison Project in 2012 and to support its operations for the next twelve months. To date, the Company's operations, exploration and evaluation activities have been almost entirely financed from equity financing. The Company will continue to identify financing opportunities in order to provide additional financing flexibility and to continue development its properties and meet other future commitments. While the Company has been successful raising the necessary funds in the past, there can be no assurance it will be successful in the future.

Share Capital

The Company's authorized capital consists of unlimited number of common shares without par value and unlimited number of non-voting common shares without par value, and has securities outstanding as follows:

Security Description	December 31, 2011	Date of report
Common shares	56,116,453	56,498,721
Stock Options	7,526,001	8,967,334
Warrants	10,972,758	10,590,490

RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying consolidated financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors, corporate officers, including the Company's Chief Executive Officer, Chief Financial Officer, and Vice Presidents.

Remuneration attributed to key management personnel can be summarized as follows:

	Years ended December 31,	
	2011	**2010**
	$	$
Share-based compensation	**556,443**	170,325
Short-term benefits*	**306,673**	262,635
Incentive compensation other than share-based compensation	**80,000**	-
	943,116	432,960

* include base salaries, pursuant to contractual employment or consultancy arrangements

Other related parties

Forbes West Management Corp. ("Forbes West") (formerly EGM Exploration Group Management Corp.) is an entity owned by a director of the Company and provides administrative, management, geological, regulatory, tax, corporate development and investor relations services to the Company.

Sullivan Trust (the "Trust") is an entity owned by a former director of the Company. The Company has an option agreement with the Trust to acquire 100% of the title to the mineral property interests that constitute the Gunnison Project. The Trust has also a lease agreement with the Company for a core shed located on the property.

Cassels Brock & Blackwell LLP, a legal firm where a partner is a director of the Company provided legal services to the Company in 2010.

Transactions entered into with related parties other than key management personnel include the following:

	Years ended December 31,	
	2011	**2010**
	$	$
Forbes West	**1,050,859**	164,077
Sullivan Trust	**-**	167,204
Cassels Brock & Blackwell LLP	**-**	148,123
	1,050,859	479,404

Amounts due to related parties at December 31, 2011 included the following:

- SCT Holding Management LLC, a company controlled by a CEO, $13,560 (December 31, 2010 - $Nil, January 1,2010 - $Nil)
- Forbes West $144,217 (December 31, 2010 - $82,255, January 1, 2010 - $Nil)

- Taloumba Inc., a company controlled by a VP Exploration $12,712 (December 31, 2010 - $Nil, January 1, 2010 - $Nil)
- AzTech Resources LLC $Nil (December 31, 2010 - $81,069, January 1, 2010 - $73,052). This liability bore interest of 6% per annum compounded annually with no fixed terms of repayment.

Amounts due to related parties included in notes payable (Note 6) as at December 31, 2011 included the following:

- Stephen Twyerould, a CEO, $Nil (December 31, 2010 $48,588, January 1, 2010 - $45,775)
- Taloumba, Inc. $Nil (December 31, 2010 - $Nil, January 1, 2010 - $108,608)
- Roland Goodgame, a VP Exploration, $Nil (December 31, 2010 - $Nil, January 1, 2010 – $23,472)
- SCT Holding Management LLC $Nil (December 31, 2010 - $Nil, January 1, 2010 - $159,379)
- Cassels Brock & Blackwell LLP $NIL (December 31, 2010 - $Nil, January, 2010 - $144,251)
- Kevin Sullivan, a former director, $Nil (December 31, 2010 - $NIL, January 2010 - $22,544)

ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

ACCOUNTING POLICIES

International Financial Reporting Standards ("IFRS")

Transition to IFRS from GAAP

Effective January 1, 2011, the Company transitioned from Canadian GAAP reporting to IFRS. Previously, the Company prepared its consolidated annual financial statements and its condensed consolidated interim financial statements in accordance with Canadian GAAP.

The consolidated financial statements for the year ended December 31, 2011 are prepared in accordance with IFRS, as stated in Note 2. The accounting policies in Note 2 have been applied in preparing the consolidated financial statements for the years ended December 31, 2011 and 2010, and the opening IFRS statement of financial position on January 1, 2010, the "Transition Date".

In preparing the opening IFRS statement of financial position and the financial statements for the year ended December 31, 2010, the Company has adjusted amounts reported previously in financial statements that were prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables. The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemptions:

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

(i) Share-based payments

IFRS 1 permits the application of IFRS 2 Share Based Payments only to equity instruments granted after November 7, 2002 that had not vested by the date of transition to IFRS. The Company has applied this exemption and will apply IFRS 2 for equity instruments granted after November 7, 2002 that had not vested by January 1, 2010.

(ii) Business combinations

IFRS 1 permits the application of IFRS 3 Business Combinations on a prospective basis from the Transition Date. The Company has applied this exemption and will apply IFRS 3 for business combinations after the Transition Date.

The adoption of IFRS has resulted in changes to the Company's reported financial position and results of operations. The Company's adoption of IFRS did not have an impact on the total operating, investing or financing cash flows. In order to allow the users of the financial statements to better understand these changes, the financial statements previously presented under Canadian GAAP have been reconciled to IFRS.

A description of the changes is provided below.

i) Exploration and evaluation expenditures

IFRS allows an entity to select an appropriate accounting policy for the treatment of resource properties (known as exploration and evaluation assets under IFRS). As a result, on transition to IFRS, it is possible to continue to follow the policies previously established by the Company or to change to a new policy. Under existing Canadian GAAP, the Company followed the policy of capitalizing all mineral property expenditures directly attributable to the exploration or evaluation of each property, including an appropriate allocation of overheads related to the activity. On transition to IFRS, the Company changed the policy to expensing all mineral property expenditures directly attributable to the exploration or evaluation of each property under IFRS. The decision to change this policy was made to streamline the financial reporting process and simplify the presentation of financial information for investors. As at December 31, 2010, this change of policy resulted in a decrease of $351,373 (January 1, 2010 - $75,175) in the carrying value of resource properties and a corresponding increase of $304,323 in exploration and evaluation expense and a decrease of $172,128 in write-off exploration and evaluation assets account in the statements of comprehensive (loss) income for the year ended December 31, 2010.

ii) Share-based payments

Under Canadian GAAP, the fair value of stock-based awards with graded vesting are calculated as one grant and the resulting fair value is recognized on a straight-line basis over the vesting period. Forfeitures of awards are recognized as they occur.

Under IFRS, a fair value measurement is required for each vesting instalment within the option grant. Each instalment must be valued separately, based on assumptions determined from historical data, and recognized as compensation expense over each instalment's individual tranche vesting period. Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods. As at December 31, 2010 this accounting policy change resulted in an increase in other equity reserve of $107,138 (January 1, 2010 - $Nil) and a corresponding increase in share-based compensation expense.

iii) Foreign currency translation

The Company determined that the functional currency of Excelsior Arizona was the United States dollar under IFRS, whereas the functional currency had been assessed as the Canadian dollar under Canadian GAAP.

This change in the functional currency of Excelsior Arizona resulted in an increase in foreign exchange loss of $2,917 for the year ended December 31, 2010. There was no effect for as a result of this change as at January 1, 2010.

iv) *Capital stock*

On transition to IFRS the Company changed its policy from capitalizing mineral property expenditures to expensing them. Consequently, the purchase price for the acquisition of AzTech changed from $1,256,892 to $1,098,898, due to a decrease in the allocation to mineral properties of $157,994. This change also resulted in a decrease in capital stock of $157,994 and a corresponding increase in deficit.

v) Warrants

IFRS requires that outstanding common share purchase warrants denominated in a currency other than the functional currency of the entity issuing the warrants ("Foreign Currency Warrants") to be treated as derivative instrument, reordered as liabilities and measured at fair value at each reporting date. Changes in fair value are included as part of net income in the statement of operations and comprehensive loss. Under Canadian GAAP, the Company accounted for these warrants as equity instruments measured at their fair value at the date of issue and not subsequently re-measured.As at January 1, 2010 (the date of transition to IFRS), the Company did not have any Foreign Currency Warrants. During the year ended December 31, 2010, the Company issued Foreign Currency Warrants, which had a value of $871,140 as at December 31, 2010.

RISK FACTORS

The exploration of mineral deposits involves significant risks and uncertainties, which even a combination of careful evaluation, experience and knowledge may not eliminate. A comprehensive list of risk factors relating to our business is provided under the heading, "Risk Factors", in the Company's Annual Information Form for the year ended December 31, 2011, which is available on SEDAR, at www.sedar.com. Certain of the more prominent risk factors that may materially affect the Company's future performance, in addition to those referred to above, are listed hereunder.

Excelsior depends on a single mineral project.

The Gunnison Project accounts for all of Excelsior's mineral resources and exclusively represents the current potential for the future generation of revenue. The costs, timing and complexities of upgrading the mineralized material at the Gunnison Project to proven and probable reserves may be greater than Excelsior anticipates. Mineral exploration and development involves a high degree of risk that even a combination of careful evaluation, experience and knowledge cannot eliminate and few properties that are explored are ultimately developed into producing mines. Any adverse development affecting the Gunnison Project will have a material adverse effect on Excelsior's business, prospects, financial position, results of operations and cash flows

The successful start of mining operations at, and the development of, the Gunnison Project into a commercially viable mine cannot be assured.

There are numerous activities that need to be completed in order to successfully commence development and production at the Gunnison Project, including, without limitation: completing of a formal feasibility study; optimizing the mine plan; recruiting and training personnel; have available funds to finance construction and development activities; avoid potential increases in costs; negotiating contracts for the supply of power, shipping and for the sale of copper; updating, renewing and obtaining, as required, all necessary permits, including, without limitation, environmental permits; and handling any other infrastructure issues. There is no certainty that Excelsior will be able to successfully complete these activities, since most of these activities require significant lead times, and Excelsior will be required to manage and advance these activities concurrently in order to begin production. A failure or delay in the completion of any one of these activities may delay production, possibly indefinitely, at the Gunnison Project and will have a material adverse effect on Excelsior's business, prospects, financial position, results of operations and cash flows

As such, there can be no assurance that Excelsior will be able to complete development of the Gunnison Project at all, on time or in accordance with any budgets due to, among other things, the delivery and installation of plant and equipment and cost overruns, or that the current personnel, systems, procedures and controls will be adequate to support operations. Failure to successfully complete these events as expected would have a material adverse effect on Excelsior's business, prospects, financial position, results of operations and cash flows.

There is no assurance that Excelsior will ever achieve production or that the Company will ever be profitable if production is achieved.

Excelsior may experience difficulty attracting and retaining qualified management and technical personnel to meet the needs of its anticipated growth.

Excelsior is dependent on the services of key executives, including the Chief Executive Officer and Vice President, Exploration and other highly skilled and experienced executives and personnel focused on managing Excelsior's interests and the advancement of the Gunnison Project and on identifying new opportunities for growth and funding. Due to Excelsior's relatively small size, the loss of these persons or its inability to attract and retain additional highly skilled employees required for the development of Excelsior's activities may have a material adverse effect on its business or future operations.

Excelsior also anticipates that, as it bring the Gunnison Project into production and, where appropriate, acquire additional mineral rights, it will experience significant growth in our operations. Excelsior expects this growth to create new positions and responsibilities for management and technical personnel and to increase demands on its operating and financial systems. There can be no assurance that Excelsior will successfully meet these demands and effectively attract and retain additional qualified personnel to manage our anticipated growth. The failure to attract such qualified personnel to manage growth would have a material adverse effect on Excelsior's business, financial position, results of operations and cash flows.

Titles and other rights to the Gunnison Project cannot be guaranteed and may be subject to prior unregistered agreements, transfers or claims and other defects.

Excelsior cannot guarantee that title to the Gunnison Project will not be challenged. Excelsior may not have, or may not be able to obtain, all necessary surface rights to develop the Gunnison Project. Title insurance generally is not available for mineral properties, and its ability to ensure that we have obtained secure claim to individual mineral properties or mining concessions comprising the Gunnison Project may be severely constrained. The Gunnison Project may be subject to prior unregistered agreements, transfers or claims, and

title may be affected by, among other things, undetected defects. Excelsior has not conducted surveys of all of the claims in which its holds direct or indirect interests. A successful challenge to the precise area and location of these claims could result in Excelsior being unable to operate on all or part of the Gunnison Project as permitted or being unable to enforce our rights with respect to all or part of the Gunnison Project.

Excelsior needs to enter into contracts with external service and utility providers.

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. In order to develop a mine at the Gunnison Project, Excelsior will need to negotiate and conclude various agreements with external service and utility providers for shipping and power access, and these are important determinants that affect capital and operating costs. The inability to conclude any such agreements could have a material adverse effect on the Company's financial position, results of operations and cash flows and render the development of a mine on the Gunnison Project unviable.

Excelsior's activities are subject to environmental laws and regulations that may increase Excelsior's costs of doing business and restrict the Company's operations.

All of our exploration, potential development and production activities in the United States are subject to regulation by governmental agencies under various environmental laws, including with respect to air emissions, discharges into water, management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species and reclamation of lands disturbed by mining operations. Compliance with environmental laws and regulations may require significant capital outlays on behalf of Excelsior and may cause material changes or delays in our intended activities. There can be no assurance that future changes in environmental regulations will not adversely affect Excelsior's business, and it is possible that future changes in these laws or regulations could have a significant adverse impact on some portion of its business, causing it to re-evaluate those activities at that time. Failure to comply with applicable environmental laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulator or judicial authorities, causing operations to cease or to be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions.

Excelsior has a history of losses and expects to incur losses for the foreseeable future.

Excelsior has incurred losses since its inception and expects to incur losses for the foreseeable future. Excelsior expects to continue to incur losses unless and until such time as the Gunnison Project enters into commercial production and generates sufficient revenues to fund continuing operations. The development of the Gunnison Project will require the commitment of substantial financial resources. The amount and timing of expenditures will depend on a number of factors, including the progress of ongoing exploration, evaluation and development, the results of consultant analysis and recommendations, the rate at which operating losses are incurred, the execution of any agreements with strategic partners and our acquisition of additional properties. Some of these factors are beyond Excelsior's control. There can be no assurance that Excelsior will ever achieve profitability.

Excelsior's securities are subject to price volatility.

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations that have not been necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in Excelsior's share price will not occur. It may be anticipated that any quoted market for our common shares will be subject to market trends generally, notwithstanding any potential success in creating revenues, cash flows or earnings. The value of Excelsior's common shares will be affected by such volatility.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

FINANCIAL INSTRUMENTS

The fair value of the Company's receivables, accounts payable and accrued liabilities, due to related parties, and notes payable approximate carrying value which is the amount recorded on the consolidated statement of financial position due to their short term maturity or ability of prompt liquidation. Cash and cash equivalents, under the fair value hierarchy are based on level one quoted prices in active markets for identical assets and liabilities. The Company's other financial instrument, warrants liability, under the fair value hierarchy is recorded at fair value based on level 2 input as outline in Note 7.
As at December 31, 2011, the Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash and cash equivalents are held at large North American financial institutions in interest bearing accounts. The Company has no investments in asset-backed commercial paper.

The Company's receivables consist mainly of input tax credit receivable due from the Government of Canada, and as a result the Company doesn't believe it is subject to significant credit risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk through its capital management as outlined in Note 13 to the consolidated financial statements. Accounts payable and accrued liabilities are due within one year.As at December 31, 2011, the Company has a cash and cash equivalents balance of $5,382,104 to settle current liabilities of $896,194. Management believes that it has sufficient funds to meet its current liabilities as they become due.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and commodity and equity prices and foreign currency fluctuations.

(a) Interest Rate Risk

The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The risk that the Company will realize a loss as a result of a decline in the fair value of short-term investments included in cash and cash equivalents is minimal because these investments roll over daily. As of December 31, 2011, the Company did not have interest bearing debt.

(b) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

(c) Currency risk

Currency exchange risk is the risk that the future cash flows of financial instruments will fluctuate as a result of changes in foreign exchange rates. The majority of the Company's operations are conducted in U.S. dollars; the recent Company's financing and any future equity raised is expected to be predominantly in Canadian dollars. Consequently, the Company is impacted by changes in the exchange rate between the Canadian and United States dollars. As of December 31, 2011, the Company's net US dollar financial assets were $US568,724. Thus, a 10% change in the Canadian dollar versus the U.S. dollar exchange rate would affect other comprehensive income (loss) by $48,709 and net income (loss) by $9,130.

SUBSEQUENT EVENTS

The following are the transactions subsequent to the year ended December 31, 2011

- 382,268 common shares were issued in connection with the exercises of 237,018 compensation warrants with an exercise price of US$0.30, 1,750 compensation warrants with an exercise price of US$0.50, 3,500 compensation warrants with an exercise price of US$0.65, and 140,000 warrants with an exercise price of US$0.65.
- 1,441,333 stock options with an exercise price of $0.73 were granted to certain directors and an officer of the Company.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Additional disclosure concerning the Company's general and administrative expenses is provided in the Company's Consolidated Statement of Operations and Deficit contained in its Consolidated Financial Statements for the Year Ended December 31, 2011, which is available on the SEDAR website, www.sedar.com. Additional information relating to the Company, including the Company's Annual Information Form for the year ended December 31, 2011 is available on SEDAR at www.sedar.com.

APPROVAL

The Board of Directors of Excelsior Mining Corp. has approved the disclosure contained in this MD&A.